



**Michigan Supreme Court
State Court Administrative Office**

P.O. Box 30048
Lansing, Michigan 48909

Phone (517) 373-0130

John D. Ferry, Jr., State Court Administrator

M E M O R A N D U M

DATE: April 1, 2003

TO: Chief Circuit Judges
cc: Family Division Judges
Friends of the Court
Court Administrators
Prosecuting Attorneys
Attorneys Practicing Family Law
Michigan Office of Child Support
Michigan Depository Libraries
Interested Parties

FROM: John D. Ferry, Jr.

RE: 2003 Update of the 2001 Michigan Child Support Formula

As you know, the effective date of the 2003 Child Support Formula has been postponed due to concerns regarding transition to a new version of the Child Support Enforcement System.

The 2001 Michigan Child Support Formula Manual will remain in effect. However, updates to adjust the manual's economics based on changes in the consumer price index and poverty level incomes become effective on July 1, 2003. Replacement pages 17 - 24, 29, and 47-48 reflecting those economic updates, as well as a replacement for "Appendix C: Support Schedules," are available on the internet at www.courts.michigan.gov/scao/services/focb/focb.htm.

All recipients of this memo should share this information with others. Courts should provide copies to staff, and assure all its copies of the manual contain the updated pages.

III. Calculating Child Support Amounts

This section describes the methods of calculating support. One is by using various percentages of total family income and calculating support based on a ratio of incomes. In cases where parties have no or low income, a poverty level or low income calculation method is used. Another method is to use the child support schedules.

A. Calculating Child Support Using Table III

Various percentages of net income are used to determine child support in this formula. The percentages are based on the number of children and the level of total net family income. The percentages are displayed in Table III shown below. The total net family income levels against which the percentages are applied are adjusted on an annual basis, using the Consumer Price Index for Metropolitan Detroit, with December, 1985 as the base.

**Table III
Total Child Support at Various Income Levels**

Table III		ONE CHILD				
Monthly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$999	25.5%	\$254.75	+	24.17%	over	\$999
\$1,604	25.0%	\$401.00	+	17.50%	over	\$1,604
\$2,187	23.0%	\$503.01	+	16.66%	over	\$2,187
\$2,807	21.6%	\$606.31	+	14.64%	over	\$2,807
\$3,645	20.0%	\$729.00	+	13.91%	over	\$3,645
\$5,176	18.2%	\$942.03	+	12.37%	over	\$5,176
\$6,379	17.1%	\$1,090.81	+	11.23%	over	\$6,379
\$8,019	15.9%	\$1,275.02	+	10.00%	over	\$8,019

¹ NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.

Table III (Continued)
Total Child Support at Various Income Levels

Table III TWO CHILDREN						
Monthly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$999	39.4%	\$393.61	+	36.22%	over	\$999
\$1,604	38.2%	\$612.73	+	26.20%	over	\$1,604
\$2,187	35.0%	\$765.45	+	23.68%	over	\$2,187
\$2,807	32.5%	\$912.28	+	22.50%	over	\$2,807
\$3,645	30.2%	\$1,100.79	+	21.75%	over	\$3,645
\$5,176	27.7%	\$1,433.75	+	20.28%	over	\$5,176
\$6,379	26.3%	\$1,677.68	+	17.01%	over	\$6,379
\$8,019	24.4%	\$1,956.64	+	15.00%	over	\$8,019

Table III THREE CHILDREN						
Monthly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$999	49.4%	\$493.51	+	47.28%	over	\$999
\$1,604	48.6%	\$779.54	+	35.10%	over	\$1,604
\$2,187	45.0%	\$984.15	+	30.51%	over	\$2,187
\$2,807	41.8%	\$1,173.33	+	28.75%	over	\$2,807
\$3,645	38.8%	\$1,414.26	+	27.98%	over	\$3,645
\$5,176	35.6%	\$1,842.66	+	23.40%	over	\$5,176
\$6,379	33.3%	\$2,124.21	+	19.61%	over	\$6,379
\$8,019	30.5%	\$2,445.80	+	19.00%	over	\$8,019

¹ NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.

**Table III (Continued)
Total Child Support at Various Income Levels**

Table III		FOUR CHILDREN				
Monthly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$999	55.6%	\$555.44	+	52.68%	over	\$999
\$1,604	54.5%	\$874.18	+	39.87%	over	\$1,604
\$2,187	50.6%	\$1,106.62	+	34.30%	over	\$2,187
\$2,807	47.0%	\$1,319.29	+	33.08%	over	\$2,807
\$3,645	43.8%	\$1,596.51	+	31.97%	over	\$3,645
\$5,176	40.3%	\$2,085.93	+	24.92%	over	\$5,176
\$6,379	37.4%	\$2,385.75	+	23.22%	over	\$6,379
\$8,019	34.5%	\$2,766.56	+	22.00%	over	\$8,019

Table III		FIVE OR MORE CHILDREN				
Monthly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$999	60.8%	\$607.39	+	57.35%	over	\$999
\$1,604	59.5%	\$954.38	+	42.62%	over	\$1,604
\$2,187	55.0%	\$1,202.85	+	37.80%	over	\$2,187
\$2,807	51.2%	\$1,437.18	+	37.28%	over	\$2,807
\$3,645	48.0%	\$1,749.60	+	35.83%	over	\$3,645
\$5,176	44.4%	\$2,298.14	+	24.78%	over	\$5,176
\$6,379	40.7%	\$2,596.25	+	24.08%	over	\$6,379
\$8,019	37.3%	\$2,991.09	+	23.00%	over	\$8,019

¹ NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.

2003 UPDATE OF 2001 MICHIGAN CHILD SUPPORT FORMULA MANUAL

The first step in determining each parent's child support obligation is to calculate total net family income per month. If either parent's income is near or below the poverty level, see Section III C on page 21. Second, apply the appropriate child support percentage from Table III from pages 17 to 19 the net income determination to calculate the actual child support amount. The third step is to apportion the support amount between both parents based on the ratio of their incomes. The final step in determining child support is to add a health care supplement to the calculated support amount (see page 29).

The Table III calculation formula is:

$$\{A + [B \times (C-D)]\} \times (E \div C) + F = G$$

[note: if $E > P$ and $C < I$ then support is calculated $(C \times J) (E \div C) + F = G$]

For the purposes of this formula:

A	=	Base Support for Family Income (Table III, column 3)
B	=	Marginal Percentage (Table III, column 4)
C	=	Actual Total Net Family Income (add net incomes of parties, rounded to nearest whole dollar)
D	=	Table Family Income Amount (Table III., column 5)
E	=	Noncustodial Parent Allowable Net Income (round to nearest whole dollar)
F	=	Health Care Supplement (Section IV D 2)
G	=	Noncustodial General Care Support-using Table III calculation (round to nearest whole dollar)
P	=	Poverty Level Income (Section III C)
I	=	Table Family Income Amount lowest level
J	=	Base Percentage (Table III, column 2)

Example: Using Table III, calculate the total monthly ly support amount for the five children in this family.

Step 1: Calculate Family net monthly income.

Noncustodial parent earns \$1,750 net per month.

Custodial parent earns \$950 net per month.

Add the parents' net monthly incomes to determine the total net family income per month:

$$\$1,750 + \$950 = \$2,700$$

Step 2: Calculate the total monthly support amount

$$\{\$1202.85 + [37.80\% \times (\$2700 - \$2187)]\} \times (\$1750 \div 2700) + \$45.68 = G \text{ Child Support}$$

$$\{\$1202.85 + [.3780 \times (\$513)]\} \times (.6481) + \$45.68 = G \text{ Child Support}$$

$$\{\$1202.85 + [\$193.91]\} \times (.6481) + \$45.68 = G \text{ Child Support}$$

$$\{\$1396.76\} \times (.6481) + \$45.68 = G \text{ Child Support}$$

$$\$905.24 + \$45.68 = \$951 \text{ Child Support per month}$$

B. Calculating Child Support Using Support Schedules

The schedules provided at www.courts.michigan.gov/scao/services/focb/focb.htm make the child support calculations automatically. The schedules include the amount required for the health care supplement. To use the schedules, apply the following steps, illustrated by the hypothetical example used in Section III A, above:

Step 1: Determine each parent's net monthly income.

Step 2: Determine the noncustodial parent's monthly support obligation by using the support schedule for five children. Find the noncustodial parent's net monthly income of \$1,750 on the vertical column and the custodial parent's net monthly income of \$950 on the horizontal row. Follow the horizontal line to the right from the noncustodial income amount to the axis where it intersects with the vertical line from the custodial income amount. The \$951 amount shown at the intersection of the lines is the noncustodial parent's monthly support obligation. The health care supplement is included.

Note: Support amounts in the schedules may vary slightly from the actual longhand calculations due to rounding.

To comply with MCR 3.211(E)(1), and to avoid recalculating support each time a child is added to or deleted from an order, all support orders must include the amount for each child in multi-children families. For example, for this family of five children the order would state:

\$951 per month for 5 children,
\$870 per month for 4 children,
\$772 per month for 3 children,
\$601 per month for 2 children,
\$394 per month for 1 child.

C. Calculation of Child Support in Low/No Income Cases

For the purpose of this formula, low income is defined as \$738 or less per month, in a single person household (2002 United States HHS Poverty Guideline). The formula described in Section III A, does not apply when parents earn low incomes. When either the noncustodial or custodial parent earns no or low income, the support amount will be determined according to the following procedure.

1. In cases where noncustodial parents earn \$738 or less per month, they will pay 10% of their incomes for child support plus the health care supplement found in Section IV D 2 on page 29, irrespective of the number of children. The percentage adjustment (10%) should be decreased by 1% for every additional \$450 that the custodial parent earns. (see Table IV, page 22)

Table IV Poverty Level Income Percentage Adjustment Table			
Custodial Net Income		% Adjust	
			Custodial Net Income
			% Adjust
\$0 - \$738	10%	\$2,250 - \$2,699	5%
\$739 - \$899	9%	\$2,700 - \$3,149	4%
\$900 - \$1,349	8%	\$3,150 - \$3,599	3%
\$1,350 - \$1,799	7%	\$3,600 - \$4,049	2%
\$1,800 - \$2,249	6%	\$4,050 or more	1%

The non-custodial parent poverty level income calculation formula is:

$$(E \times K \text{ (or \$25 whichever is more, see Section III C 3, below)}) + F = L$$

For the purposes of this formula:

- E = Non-custodial Parent Net Income of \$738 or less (round to nearest whole dollar)
- K = Percentage Adjustment (percentage income factor from Table IV, (Section III C 1))
- F = Health Care Supplement (Section IV D)
- L = Support Amount (Round to nearest whole dollar amount)

Example: Using the non-custodial parent poverty level income calculation, figure the total support amount for three children in this family.

Step 1: Calculate Family net monthly income.

Noncustodial parent earns \$600 net per month
Custodial parent earns \$1,400 net per month.

Step 2: Calculate the total monthly support amount

$$(\$600 \times 7\% \text{ (or \$25 whichever is more, see number 3, below)}) + \$32.63 = L$$

$$(\$42.00) + \$32.63 = \$75$$

2. In low income cases where non-custodial parents earn more than \$738 per month, **the support amount is the apportioned support amount (calculated using the formula in Section III A), or is the difference between the noncustodial parents' net monthly income and the poverty level (\$738) plus the support amount that they would pay at \$738 (using the non-custodial parent poverty level income calculation, above), whichever is less.** This allows the non-custodial parent to retain approximately 90-100% of the poverty level amount.

The non-custodial parent low income calculation formula is:

$$[(\$738 \times K \text{ (or } \$25 \text{ whichever is more see number 3, below)}) + F] + (E - \$738) = M$$

if $M < G$ then $M = L$
if $M \geq G$ then $G = L$

For the purposes of this formula:

P	=	Poverty Level Income (Section III(C))
K	=	Percentage Adjustment (percentage income factor from Table IV (Section III C 1))
F	=	Health Care Supplement (Section IV D)
E	=	Non-custodial Parent Net Income (round to nearest whole dollar)
M	=	Non-custodial Support-using Low Income Adjustment calculation
G	=	Non-Custodial Support-using Table III calculation
L	=	Support Amount (Round to nearest whole dollar amount)

Example: Using the non-custodial parent low income calculation, figure the total monthly support amount for four children in this family.

Step 1: Calculate net income.

Noncustodial parent earns \$900 net per month.
Custodial parent earns \$1,200 net per month.

Step 2: Calculate the total monthly support amount

$$[(\$738 \times 8\% \text{ (or } \$25 \text{)}) + \$39.15] + (900 - 738) = M$$
$$[(\$59.04 \text{ (or } \$25)) + \$39.15] + (162) = M$$
$$[\$98.19] + (\$162) = \$260$$

Step 3: The support amount is the lesser of the results from the low income calculation formula and from the Table III calculation formula:

$$M = \$260$$
$$G = \$498 = \{ \$874.18 + [39.87\% \times (\$2100 - \$1604)] \} \times (\$900 \div \$2100) + \$39.15$$

Therefore, the support amount in this example is \$260.

3. Support should not be recommended in amounts of less than \$25 per month (plus the health care supplement), unless support is reserved by the court order.
4. When custodial parents earn \$738 or less per month, their incomes will not be used in calculating support. In this way parents retain enough to meet their basic necessities, while contributing as much as possible to the support of their children.

Note: This adjustment is built into the schedules in Appendix C, and need not be separately calculated when using those tables.

D. Calculation of Child Support in High Income Cases

In high income cases, where total family income exceeds the income categories listed on the schedules in Appendix C, the support amount should be calculated according to Table III.

For example, using Table III for one child, at a combined net income of \$8,019 per month, the support recommendation would be \$1956.64 plus 10% of the amount over \$8,019. Total support would then be apportioned between both parents, and have the \$13.05 health care supplement added.

Example: Using Table III, calculate the total support amount for the two children in this family.

Step 1: Calculate Family net monthly income.

Noncustodial parent earns \$6,000 net per month.

Custodial parent earns \$3,000 net per month.

Add the parent's net monthly incomes to determine the total net family income:

$\$6,000 + \$3,000 = \$9,000$

Step 2: Calculate the total monthly support amount

$$\{\$1956.64 + [15.00\% \times (\$9,000 - \$8,019)]\} \times (\$6,000 \div \$9,000) + \$26.10 = G \text{ Child Support}$$

$$\{\$1956.64 + [1500 \times (\$980)] \times (.6667) + \$26.10 = G \text{ Child Support}$$

$$\{\$1956.64 + \$147.00\} \times (.6667) + \$26.10 = G \text{ Child Support}$$

$$\{\$2,103.64\} \times (.6667) + \$26.10 = G \text{ Child Support}$$

$$\$1,402.50 + \$26.10 = \$1,429 \text{ Child Support per month}$$

Table V:
Health Care Support Supplement

Number of Children	Monthly Health Care Amount
1	\$13.05
2	\$26.10
3	\$32.63
4	\$39.15
5	\$45.68

Ordinary expenditures on health care include such remedial items as nonprescription medications, vitamins, and bandages purchased by the household on a routine basis in anticipation of minor illnesses and injuries. It is presumed that the custodial parent will contribute similar amounts and no proof of these ordinary health care expenditures need be provided by the custodial parent.

3. All uninsured health care expenses, other than ordinary expenditures on health care, should be apportioned between parents based on the ratio of their incomes, provided that the proportion paid by either party shall not be less than 10% nor more than 90%.

E. Child Care Expenses

When the custodian and/or non-custodial parent incurs work-related child care expenses, an additional child care adjustment is required. Work-related child care expenses include those net expenses which allow the parent to look for employment, retain paid employment, or to enroll in and attend an educational program which will improve employment opportunities.

1. When custodians have an established pattern of child care and can verify that they have actual, predictable and reasonable child care expenses on behalf of the children in the case under consideration, the total net expenses to each should be apportioned between the parents according to the ratio of their incomes.
2. In calculating child care expenses to be apportioned between the parents, the net cost to the parent or custodian must be used. The net cost of child care is figured by deducting any child care subsidies, credits (including federal tax credit), or reimbursements from any public or private source from the gross cost of child care.

The non-custodial parent's portion of the custodian's child care costs minus the custodian's portion of the non-custodial parent's child care shall be added to the amount of support in the appropriate Child Support Formula table.

Appendix B: Reasonable Cost of Maintaining Health Insurance Coverage

Michigan Statutes [MCL 552.15; MCL 552.517(7)(a)] require the friend of the court, when a support order lacks provisions for health care coverage, to petition, and the court to order in any event, one or both parties to obtain and maintain health care coverage for the benefit of each child who is subject to the support order if:

- (a) Either parent has health care coverage available, as a benefit of employment, for the benefit of the child at a reasonable cost, or
- (b) Either parent is self-employed, maintains health care coverage, and can obtain health care coverage for the benefit of the child at a reasonable cost.

Federal Regulations [45 CFR 306.51] specify that cost of maintaining health insurance is considered reasonable if it is employment-related or other group health insurance.

The following table and text addressing the reasonable cost of maintaining health insurance coverage is provided to assist friends of the court, referees and judges in making determinations of the reasonable cost of maintaining health insurance coverage.

1. The following table should be used for 2003:

Reasonable Cost of Health Insurance Coverage	
Net Monthly Earnings of Parent	Maximum (Monthly) Reasonable Cost of Maintaining Health Insurance Coverage
\$738.00 or less	\$0.00
\$738.01 to \$1,521.87	\$0 + 6% over \$738.01
\$1,521.88 to \$2,391.51	\$47 + 10% over \$1,521.88
\$2,391.52 to \$3,261.15	\$134 + 14% over \$2,391.52
\$3,261.16 to \$4,130.79	\$256 + 18% over \$3,261.16
\$4,130.80 to \$5,000.43	\$413 + 22% over \$4,130.80
\$5,000.44 and above	\$604

2. For the sole purpose of determining the reasonable cost of maintaining health care coverage, the cost of providing child support, child care, and health care insurance, not including arrearages, should not exceed 50% of a parent's net income as defined in the Michigan Child Support Formula Manual.

3. The cost of providing health care insurance coverage pertains only to the cost of providing it for the children, which may or may not include the costs associated with insuring the parent providing the coverage.
4. The Reasonable Cost of Health Insurance Coverage Table will be annually updated with the Michigan Child Support Formula Manual.
 - a. The table will be annually adjusted for changes in the United States HHS Poverty Guideline. The figure used will be the amount released in the preceding year.
 - b. The earnings levels in the table will be adjusted annually for inflation using the consumer price index (CPI-U Detroit, August). The amounts in the original Reasonable Cost of Health Insurance Coverage Table serve as a baseline figure established, based upon the CPI-U for Detroit as of August 1996.

Michigan Child Support Formula Manual

2001

Friend of the Court Bureau
State Court Administrative Office
P.O. Box 30048
Lansing, Michigan 48909



Michigan Child Support Formula Manual

**2001
Thirteenth Revision**

John D. Ferry, Jr.
State Court Administrator
State Court Administrative Office
P.O. Box 30048
Lansing, Michigan 48909

TABLE OF CONTENTS

Changes to the Child Support Formula Manual	ii
Preface	iii
Purpose of this Formula	iv
I. Statutory Requirements	1
A. Application of and Deviation from the Formula	1
B. Requirement to Investigate and to Petition for Modification	1
C. Minimum Threshold Amount	2
II. Determining Net Income	3
A. Sources and Variations in Income	3
B. Children's Income	4
C. Overtime and Second Jobs	5
D. Social Security Retirement/Disability Benefits	5
E. Deferred Compensation/Individual Retirement Account (IRA)	6
F. Inheritances, One-Time Gifts	6
G. Means Tested Sources of Income	7
H. Identifying Net Income	7
I. Imputation of Income	8
J. Non-Income Producing and Low-Income Producing Assets	9
K. Allowable Deductions from Gross Income	10
L. Existing Support Orders	11
M. Other Minor Children	11
N. Stepchildren	12
O. Special Considerations in Determining Income	14
III. Calculating Child Support Amounts	17
A. Calculating Child Support Using Table III	17
B. Calculating Child Support Using Support Schedules	21
C. Calculation of Child Support in Low/No Income Cases	21
D. Calculation of Child Support in High Income Cases	24
IV. Miscellaneous Provisions	25
A. Different Custody Arrangements For Different Children	25
B. Shared Economic Responsibility	26
C. Parenting Time Abatement	27
D. Health Care Expenses	28
E. Child Care Expenses	29
F. Third Party Custodians	32
G. Arrearage Guidelines	32
H. Stipulated Agreements	35
I. Ex Parte and Temporary Orders	36
J. Child Support Recommendations in Contested Custody Cases	38
Appendix A: Statutory Requirements for Support Investigations	39
Appendix B: Reasonable Cost of Maintaining Health Insurance Coverage	45
Appendix C: Support Schedules	49
One Child Support Schedule	51
Two Children Support Schedule	59
Three Children Support Schedule	67
Four Children Support Schedule	75
Five or More Children Support Schedule	83

Changes to the Child Support Formula Manual

2001 Formula Manual Changes	
Page No.	Change
1	Clarified deviation language, and <u>Burba v Burma</u> [461 Mich 637 (2000)] added as a reference for deviation.
5	Clarified social security language that no “additional” support is to be paid when the grant is greater than the calculated support amount.
17-19	Updated Table III with the August 2000 CPI-U Detroit figure.
21-23	Updated low income amount with the 2000 DHHS Poverty Guideline figure in the Low/No Income section.
26	Added note regarding deviation to Shared Economic Responsibility section.
27-28	Clarified Parenting Time Abatement section for when less than all of the children visit.
47	Updated Reasonable Cost of Health Insurance Coverage Table with August 2000 CPI-U Detroit and new low income figures; modified table format.
Appendix C	Support Schedules updated based on changes to Table III and the poverty guideline.

Preface

The Michigan Friend of the Court Act of 1982 and the Federal Child Support Enforcement Amendments of 1984 require the State Court Administrative Office's Friend of the Court Bureau to develop "a formula to be used in establishing and modifying as a guideline in recommending a child support amount. The formula shall be based upon the needs of the child and the actual resources of each parent." MCL 552.519(3)(a)(vi); MSA 25.176(19)(3)(a)(vi), 42 USC 667(467)(a). "The child support formula developed by the bureau . . . shall be used as a guideline in recommending child support" by the Friend of the Court offices (emphasis added). MCL 552.505(e); MSA 25.176(5)(e). In 1998, the Friend of the Court Act was amended to also provide "the formula shall include guidelines for setting and administratively adjusting the amount of periodic payments on overdue support..."

A subcommittee of the Friend of the Court Advisory Committee began work on this guideline in 1983. The subcommittee, popularly known as the Child Support Guideline Committee, extensively reviewed methodologies currently in use for determining child support in Michigan and nationwide, held public hearings, conducted original research and received input from professional economists and other researchers. A final report was submitted to the Friend of the Court Advisory Committee in May of 1986.

The Friend of the Court Advisory Committee, after receiving public comment, first adopted the guideline in December of 1986, effective May, 1987. The Advisory Committee established a standing Subcommittee to review comments and to make recommendations for the periodic update of the child support guideline.

The formula will be reviewed at least every four years as required by federal legislation, more commonly referred to as the Family Support Act of 1988. Comments should be made in writing to:

Friend of the Court Advisory Committee
c/o State Court Administrative Office
P.O. Box 30048
Lansing, MI 48909

Additional copies of this document are available:

on the internet at <http://www.supremecourt.state.mi.us/courtdata/friend.htm>;

at Depository Libraries for the State of Michigan Documents (to see a list please see the Library of Michigan web page <http://www.libofmich.lib.mi.us/services/midoclibs.html>; or

for prepaid purchase for \$5.00. Make check or money order payable to the State of Michigan and send a request to:

Department of Management and Budget
Office Services Division
Materials Management
P.O. Box 30026
Lansing, Michigan 48909

Purpose of this Formula

The formula is based on common factors which are appropriate for use in the determination of child support obligations. The factors include parental income, family size and ages of children. Based on these factors, the formula provides for appropriate support amounts in divorce judgments, paternity orders, family support orders and other cases involving the support of children.

Use of the formula is required in establishing child support recommendations in domestic relations cases. The formula will insure greater uniformity by those who make recommendations and increase predictability for those who require child support orders.

There may be special cases where the formula cannot be relied on exclusively. For these cases, the formula will provide the court and friend of the court with points of reference from which a support determination can be made. In addition, it is anticipated that this document will assist parents in reaching agreements on the appropriate level of child support at the time of a divorce or other domestic relations proceeding, or upon modification of a previous order.

I. Statutory Requirements

A. Application of and Deviation from the Formula

The court must follow the Formula, whether or not the parties agree on the amount of support, except where it has an "unjust or inappropriate" result. The same standard applies to the friend of the court office when making support recommendations. Each of the enabling statutes state:

- "(2) Except as otherwise provided in this section, the court shall order support in an amount determined by application of the child support formula developed by the state friend of the court bureau. The court may enter an order that deviates from the formula if the court determines from the facts of the case that application of the child support formula would be unjust or inappropriate and sets forth in writing or on the record all of the following:
- (a) The support amount determined by application of the child support formula.
 - (b) How the support order deviates from the child support formula.
 - (c) The value of property or other support awarded in lieu of the payment of child support, if applicable.
 - (d) The reasons why application of the child support formula would be unjust or inappropriate in the case.
- (3) Subsection (2) does not prohibit the court from entering a support order that is agreed to by the parties and that deviates from the child support formula, if the requirements of subsection (2) are met."

See: MCL 552.15; MSA 25.95, MCL 552.16; MSA 25.96, MCL 552.17; MSA 25.97, MCL 552.452; MSA 25.222(2), MCL 552.517; MSA 25.176(17), MCL 722.27; MSA 25.312(7), MCL 722.3; MSA 25.244(3), MCL 722.717; MSA 25.497, MCL 780.164; MSA 25.225(14), Ghidotti v Barber 459 Mich 189 (1998), and Burba v Burba 461 Mich 637 (2000).

The Michigan Supreme Court has held that the statutory deviation factors must be recorded. "While a trial court may enter an order of support that deviates from the formula, it may not do so without setting forth in writing or on the record why following the formula would be unjust or inappropriate." Ghidotti v Barber 459 Mich 189 (1998). The criteria for deviating from the formula are mandatory, and to fulfill its statutory duty, a court must carefully articulate these factors to memorialize and explain its holding. Burba v Burba 461 Mich 637, 644-45 (2000).

B. Requirement to Investigate and to Petition for Modification

Under Section 17 of the Friend of the Court Act [MCL 552.517; MSA 25.176(17)], included in Appendix A), after a final judgment or order has been entered, the friend of the court office is required to periodically review support orders under the criteria outlined in the Act. The Act also requires the friend of the court office to petition the court if there is a determination that a modification is necessary, unless:

(a) the difference between the existing support order and the proposed support amount is within the minimum threshold amount or (b) the court had previously determined that application of the formula was unjust or inappropriate, and the office determines that the facts of the case, the reason for the deviation, and amount of the prior ordered deviation all remain unchanged.

C. Minimum Threshold Amount

The "minimum threshold amount" requires that the friend of the court office petition for a modification if the proposed change is ten-percent (10%) or more of the existing order or \$5 per week (or the equivalent for orders based on other time periods other than weekly), whichever is less.

For the actual language and requirements of the Friend of the Court Act on child support review and modification process, please see MCL 552.517; MSA 25.176 et seq. in Appendix A.

Example:

The friend of the court office conducts a support review as required by statute and the current support order is \$70. The proposed change is to \$76. The friend of the court office must petition the court to modify the order, since the change is greater than the \$5.00 threshold.

The friend of the court office conducts a support review as required by statute and the current support order is \$20. The proposed change is to \$17. The friend of the court office must petition the court to modify the order, since the \$3.00 change is greater than the 10% threshold.

The friend of the court office conducts a support review as required by statute and the current support order is \$30. The proposed change is to \$32. The office is not required to petition to modify the order since the change is less than the 10% threshold and less than the \$5.00 threshold.

II. Determining Net Income

The term "net income" refers to gross income minus all of the deductions allowed for the purpose of calculating child support. "Net income" many times will not be equivalent to an individual's net pay, net taxable income, or other similar terms used by other governmental agencies.

A. Sources and Variations in Income

Where there is evidence of considerable year-to-year variation in income due to things like overtime, second jobs, bonuses, or profit sharing, information from at least the preceding twelve months should be used in calculating net income. This will minimize seasonal effects or other variations in income. Certain occupations and self-employed persons may have considerable variation in income from year to year. The use of three years income information is recommended where such variation exists.

"Income" means any of the following:

- (i) Commissions, earnings, salaries, wages, and other income due or to be due in the future to an individual from his or her employer and successor employers.
- (ii) A payment due or to be due in the future to an individual from a profit-sharing plan, a pension plan, an insurance contract, an annuity, social security, unemployment compensation, supplemental unemployment benefits, or worker's compensation.
- (iii) An amount of money that is due to an individual as a debt of another individual, partnership, association, or private or public corporation, the United States or a federal agency, this state or a political subdivision of this state, another state or a political subdivision of another state, or another legal entity that is indebted to the individual. (MCL 552.602(i); MSA 25.164(2))

"Source of income" means an employer or successor employer or any other individual or entity that owes or will owe income to the payer. (MCL 552.602(v); MSA 25.164(2))

The following list outlines types of income from which custodial and noncustodial parents' incomes should be determined. Although the list includes the most common forms of income, it is not an exhaustive list, and other sources may be considered. These sources of income are for the purpose of establishing child support and may not correspond to the sources of taxable income as set forth by the Internal Revenue Service (IRS).

Types of Income:

- 1. Salaries and Wages
- 2. Cost of Living Allowance (COLA)
- 3. Shift Premium
- 4. Overtime (see instructions on page 5)
- 5. Second Job (see instructions on page 5)
- 6. Commissions
- 7. All Bonuses

Types of Income (Continued):

8. Profit Sharing
9. Interest
10. Dividends
11. Annuities
12. Pensions/Longevity
13. Deferred Compensation/Individual Retirement Account(IRA)(see instructions on page 6)
14. Trust Fund Payments
15. Unemployment Benefits
16. Strike Pay
17. Supplemental Unemployment Benefits (SUB) Pay
18. Sick Benefits
19. Worker's Compensation
20. Social Security Retirement/Disability Benefits (see instructions on page 5)
21. Veteran Administration Benefits
22. Disability Insurance
23. G.I. Benefits - excluding education allotment
24. National Guard and Reserves Drill Pay
25. Armed Services - Base pay plus allowance for quarters, rations and specialty pay
26. Dividends Earned from Life Insurance Policies
27. Allowance for Rent (when provided by the employer as a fringe benefit)
28. Rental Income
29. Alimony/Spousal Support
30. Net Gambling Winnings

31. Tax-exempt income, such as the interest and dividends paid on municipal bonds and other government securities.

32. Insurance or other similar payments received as compensation for lost earnings (but not payments to compensate for medical bills or for property loss or damage).

33. Adoption Subsidy - standard/basic needs portion for child(ren) in case under consideration (see Section B. Children's Income, for exceptions).

See Section O on Page 14 below, for special considerations to keep in mind when determining the income of self-employed persons, business owners, and business executives.

B. Children's Income

A minor child's benefits from a Supplemental Security Income (SSI) program or income from employment received prior to attaining eighteen (18) years of age and/or prior to graduation from high school, while attending school on a full time basis, should not ordinarily be considered as income. There may be cases, however, where a child is a professional and/or is involved in some activity and earns a large sum of money. In these cases, discretion must be exercised.

The medical needs and intensive rate portion of the Adoption Subsidy and all of the Family Support Subsidy shall not be considered as income. These subsidies are excluded as public policy has identified them as necessary for meeting special emotional and physical needs of children and families.

C. Overtime and Second Jobs

All of overtime and second job income should be considered in the determination of child support payments. Any evidence produced that overtime or second job hours will be changed in the future should be taken into consideration when determining net income.

D. Social Security Retirement/Disability Benefits

When children receive dependent benefits from a Social Security Retirement, Survivor's or Disability Insurance Program based on the earnings record of the noncustodial parent, those benefits should not be considered as income to the custodial parent. However, those benefits should be considered, for the purpose of making a child support recommendation, according to the following instructions:

Step 1: Determine the noncustodial and the custodial parents' net weekly incomes.

Step 2: Determine the normal support amount from the appropriate schedule.

Step 3: Determine the weekly amount of Social Security benefits attributable to the noncustodial parent received for the child(ren).

Step 4: Subtract the attributable weekly amount from the appropriate amount of support calculated based on the parents' incomes.

If the grant received by the child(ren) from Social Security is greater than the normal support recommendation, no additional support should be recommended. If the grant received by the child(ren) from Social Security is less than the normal support recommendation, the difference between the grant amount and the support recommendation should be made up by the support recommendation.

Example: Adjust support for noncustodial social security benefits paid for minor children.

Step 1: Determine the noncustodial and the custodial parents' net weekly incomes.

The noncustodial parent earns \$400 net per week.

The custodial parent earns \$200 net per week.

Step 2: For five minor children, determine the normal support amount from the five or more children schedule.

Support is \$216.00 per week for five children

Step 3: Determine the weekly amount of Social Security benefits attributable to the noncustodial parent received for the child(ren).

\$430.00 children's monthly benefit attributable to the noncustodial parent.

$\$430.00 \text{ (per month)} \div 4.345 \text{ (weeks per month)} = \99.00 (per week)

Step 4: Subtract the attributable weekly amount from the appropriate amount of support calculated based on the parents' incomes.

$\$216.00 \text{ (weekly support)} - \$99.00 \text{ (weekly benefit)} = \$117.00 \text{ (per week)}$

All other Social Security Retirement, Survivor's or Disability Insurance Benefits received by the children shall be considered income of the custodial parent. (For Supplemental Security Income (SSI), see Means Tested Sources of Income on page 7)

The following cases offer information regarding consideration of social security benefits: Frens v Frens, 191 MichApp 654 (1990); and Jenerou v Jenerou, 200 MichApp 265 (1993).

E. Deferred Compensation/Individual Retirement Account (IRA)

If a payer retires and receives payment from an IRA, defined contribution, or deferred compensation plan, income from contributions to the plan which were previously assessed for child support should be excluded on a prorated basis.

Example:

A payer's IRA account totals \$200,000 at the time of retirement, but \$15,000 in contributions to the account were made while the payer was under an obligation to pay child support, and were included as income at that time. Therefore, 15/200 of the benefit payments should be excluded from consideration when computing child support from those payments.

F. Inheritances, One-Time Gifts

Interest earned from inheritances and gifts should be considered as income. Property and principal should not be considered as income.

G. Means Tested Sources of Income

Means tested sources of income such as Temporary Assistance to Needy Families (TANF), Family Independence Payments (FIP)(formerly AFDC), Food Stamps, Earned Income Credit (Federal Taxes), Supplemental Security Income (SSI), etc. should not be considered as income to either parent for the purpose of determining child support (Exception: Other Minor Children, see page 11).

H. Identifying Net Income

Net income should be determined from actual tax returns whenever possible. When tax returns cannot be obtained, the following is recommended:

1. Employer Tax Guides for federal, state and local taxes may be used to determine net income by subtracting the appropriate number of exemptions and their associated deductions from gross earnings.
2. When determining parties' net incomes for the purpose of establishing temporary child support recommendations, use the parties' current filing status.
3. When determining the parties' net incomes for the purpose of modifying an existing child support order, it is beneficial for both parents to produce their actual tax returns because it will provide more accuracy in the determination of actual taxes paid. In the event that tax returns are not made available, taxes should be estimated based on the best available information such as W-2 forms, employer's statements, employer tax guides, pay vouchers, testimony, etc.

If parents and their new spouses file joint tax returns, and that return is made available, it will be necessary to ascertain each spouse's income. The new spouse's income is deducted from the total joint income and joint taxes are prorated between the spouses. When prorating the joint taxes between the spouses, use the fraction obtained by dividing the employment income (salary, wages, tips, commissions, bonuses, profit sharing, etc.) of the parent by the total employment income of the parent and the new spouse.

Example:

Step 1:	Parent's employment income:	\$20,000
	New spouse's employment income:	+ <u>\$40,000</u>
	Total employment income:	\$60,000
Step 2:	Parent's employment income divided by total employment income:	\$20,000/\$60,000
	Resulting fraction/percentage:	1/3 or 33.3%
Step 3:	Total joint tax obligation* (as stated on the tax return)	\$15,000

*Including taxes on non-employment income such as interest, dividends, capital gains, etc.

Multiply fraction/percentage by
total joint tax obligation:

$1/3 \times \$15,000$

Parent's share of joint tax obligation:

\$5,000

When the joint tax return of the parent and the new spouse is not made available, assume that the parent's income is the total family income and determine the joint tax obligation using the parent's income. Also assume that the parent is entitled to each dependency tax exemption claimed by the parent and the new spouse.

Note: This approach may have the effect of understating the parent's tax liability and, therefore, overstating his/her net income. Parents with new spouses who file joint income tax returns should be advised that the failure to make the joint return available may result in a financial penalty to them in the form of a higher or lower support recommendation based on the above assumptions.

I. Imputation of Income

Imputation of income is treating a party as having income or resources that the party does not actually have. This usually occurs in cases where a party voluntarily reduces his/her income.

The determination as to the appropriateness of imputation in a particular case is a judicial one. In all cases in which the friend of the court investigation shows voluntary reduction of income or where there is voluntary unexercised ability to earn, the friend of the court shall make two recommendations: one is based on actual income and the other is based on actual plus imputed income. The recommendation should also take into account the possible inclusion of a child care recommendation where imputation would make that issue relevant. The recommendation shall include the basis for imputation and the basis of the amount imputed.

In considering a party's unexercised ability to earn, the friend of the court shall consider among other equitable factors the following criteria:

1. Prior employment experience;
2. Educational level;
3. Physical and mental disabilities;
4. The presence of children of the marriage in the party's home and its impact on the earnings of the parties;
5. Availability of employment in the local geographical area;
6. The prevailing wage rates in the local geographical area;
7. Special skills and training; or
8. Whether there is any evidence that the party in question is able to earn the imputed income.

This imputation provision must be applied equally to payers and payees and to men and women. Imputation is not appropriate where:

1. A payee/payer source of income is a means tested income such as Temporary Assistance to Needy Families (TANF), Family Independence Payments (FIP)(formerly AFDC), Food Stamps, Supplemental Security Income (SSI), etc.;
2. There has not been a significant reduction in income compared to the period preceding the filing of the complaint (or the motion for modification, in a modification proceeding); or
3. The party is employed full time (35 or more hours per week), but is in a situation where employment income has been reduced through reduced hours (such as leaving a second job or refusing overtime).

In cases in which income is imputed, the amount imputed should be sufficient to bring total income up to the level it would have been if there had been no reduction in income, provided that the imputation computation shall not be based on any hours beyond 40 per week nor any overtime or shift premiums.

The following cases offer guidance in determining whether imputation of income is appropriate; Travis v Travis, 19 Mich App 128 (1969); Moncada v Moncada, 81 Mich App 26 (1978); Dunn v Dunn, 105 Mich App 793 (1981); Heilman v Heilman, 95 Mich App 728 (1980); Joslin v LaVance, 154 Mich App 501 (1986); Rohloff v Rohloff, 161 Mich App 766 (1987); Daniels v Daniels, 165 Mich App 726 (1988); Olson v Olson, 189 Mich App 620 (1991) (aff'd in lieu of lv gtd, 439 Mich 986); and Ghidotti v Barber [459 Mich 189 (1998)].

J. Non-Income Producing and Low-Income Producing Assets

Non-income or low-income producing assets should be evaluated to establish a reasonable rate of expected return depending on the type and nature of the asset. The expected income should be used when determining child support. The intent of this section is to prohibit a parent from placing investments into non-income and low-income producing assets during the time child support is due, and to insure that child support is based upon appropriate or expected asset value/income relationships; it is not to require or deny certain types of investments.

Non-income producing assets such as cash, cash surrender value of insurance policies, loans to or stock in a controlled or family owned corporation, loans to third parties, real estate, jewelry, antiques, collections, inventories, vehicles, pension and profit sharing plans, etc., that are owned by custodial and noncustodial parents, after the property is distributed pursuant to the judgment of divorce or at the time child support recommendations are made, may be used to determine expected income. Expected income may be attributed to those assets by using current average interest rates for passbook savings accounts, treasury bills, treasury bonds, certificates of deposit, etc.

Certain non-income producing assets such as a home and its reasonable furnishings, an automobile, and other small non-income assets should be excluded from consideration.

K. Allowable Deductions from Gross Income

1. Alimony/Spousal Support

Any alimony/spousal support orders should be deducted prior to the calculation and deduction of federal, state and local income taxes. The calculation of Social Security taxes (FICA) is based on gross income before deduction of the alimony/spousal support order.

2. Federal, State, and Local Taxes

3. F.I.C.A.

In the absence of an explicit written agreement or judicial order to the contrary, allocation of tax exemptions must be based on the actual residence of the child. That is, the person with whom the child resides the greater number of days during the calendar year should be presumed to be entitled to the dependent exemption for that child.

In determining filing status (Single or Married) presume the status that is most consistent with the situation of the parties as of the date of the order based on this recommendation.

Example:

If a party is currently single, presume they will stay single and will have a single filing status. If and when a party's actual filing status changes, they can request a support modification based on that actual change of circumstance.

4. Any mandatory withholdings when they are required as a condition of employment (for example, most union dues and some retirement plans).

5. The determinable portion of health insurance premiums for the child(ren).

When a determinable portion of the health insurance co-pay/premiums, being paid by either parent, can specifically be attributed to the child(ren), that portion should be subtracted dollar for dollar from that parent's gross income. If a party has a health insurance policy that covers family members other than the minor children, the "determinable portion" would be the average cost per person covered by the policy.

6. Premiums for term equivalent insurance policies when the child(ren) are the beneficiaries.

When term life insurance premiums are being paid by either parent and the child(ren) is (are), by order or judgment, the beneficiaries of the policy, that premium should be deducted dollar for dollar from gross income. In the case of whole life insurance policies, where the child(ren) is (are) the beneficiaries, a premium amount should be calculated for the term insurance equivalent and then subtracted dollar for dollar from gross income.

7. Employer contributions to private qualified pension plans, to the extent that such contributions are less than 5.5% of the employee's gross income.

L. Existing Support Orders

Existing support orders, which are orders for children other than those in the case specifically under consideration, require an adjustment to the parents' net incomes in order to determine the net income on which child support for the case under consideration should be based. Determine each parent's prior and subsequent support orders which are for children other than those in the case specifically under consideration and subtract that amount, dollar for dollar, from their net incomes. In determining the amount of an existing support order that should be deducted, subtract only the actual amount of the order, including court-ordered child care expenses. Payments on an arrearage should not be deducted.

If there is reliable information that the existing order has not been complied with for a significant period of time, two recommendations shall be prepared, one with and one without the existing order adjustment.

Example:

The noncustodial parent earns \$300 net per week and pays child support of \$61 per week for one child in another case.

$$\$300 - 61 = \$239$$

The noncustodial parent's support obligation for the case under consideration would be based on a weekly net income of \$239.

M. Other Minor Children

The following method should be used for determining the net incomes of parents who currently have biological or legally adopted children from other relationships living in their households.

- Step 1: Determine the net weekly income of the custodial and the noncustodial parents. (For purposes of an other children adjustment only, include the other biological/adoptive child(ren) income, other than from employment, as part of the parents' income. Do not include income of the parties' stepchildren or court ordered child support).
- Step 2: Determine the number of biological/legally adopted children living in the custodial and/or the noncustodial parents' households.
- Step 3: Adjust each parent's net income by subtracting the dollar amount of an existing support order (if applicable). Adjust each parent's net income according to the number of biological/legally adopted children in their household by multiplying their net incomes by the appropriate percentage found in Table I.

When parents have other children, the applicable percentages are derived from the average percentages calculated by using Table III (see page 17). When there is 1 biological/legally adopted child in the custodial or the noncustodial parent's household, multiply net income by .896 (see Table I, page 12). The factor of .896 is derived by dividing the average base support percentage for 1 child (20.8%) by 2 and

then subtracting that number (10.4) from 100. When there are 2 biological/legally adopted children, multiply by .841, when there are 3 biological/legally adopted children, multiply by .798, when there are 4 biological/legally adopted children, multiply by .773, and when there are 5 biological/legally adopted children, multiply by .752.

Step 4: Apply each parent's income, as determined in Step 3 to the schedule with the correct number of children for whom this modification is being sought. This results in the appropriate amount of support to be paid by the noncustodial parent.

**Table I
Percentages Applied to Net Income
when Parents have Other Children**

Number of Children	Adjustment Percentage
1	89.6%
2	84.1%
3	79.8%
4	77.3%
5 or more	75.2%

Example:

The noncustodial parent earns \$400 net per week. The custodial parent, who earns \$220 net per week, requests a modification of the support order for the three children. In considering this modification request, the two biological children currently living in the noncustodial parent's household should be taken into account.

Step 1: Noncustodial parent earns \$400 net per week. Custodial parent earns \$220 net per week.

Step 2: There are two biological/legally adopted children living in the noncustodial parent's household.

Step 3: \$ 400 x .841 = \$336 is the net income figure used to calculate support for the noncustodial parent.

Step 4: Determine the amount of support for the three children from the prior marriage based on the noncustodial parent's income of \$336 and custodial parent's income of \$220.

N. Stepchildren

In general, stepchildren should not be considered when determining the appropriateness of a child support modification for a stepparent. In Michigan, children are the responsibility of their natural/adoptive

parents. However, there may be cases in which support is unavailable from both natural/adoptive parents and stepparents are required to make substantial contributions to their stepchildren's support.

Both of the following conditions **must** be satisfied before stepchildren may be considered:

Condition One:

It may be appropriate to consider stepchildren when their noncustodial parent earns no income and does not have the ability to earn income; **and**

Condition Two:

It may be appropriate to consider stepchildren when their custodial parent earns no income and does not have the ability to earn income.

After it is established that **both** of these conditions exist, the following method should be used for determining the net incomes of parents who currently have stepchildren living in their households.

- Step 1:** Determine the net weekly incomes of the parties in the case under review.
- Step 2:** Determine the number of stepchildren living in the party-stepparent's household for whom the party-stepparent is the sole source of income.
- Step 3:** Adjust the stepparent's income, according to the number of stepchildren in the current household, by multiplying the stepparent's income by the appropriate adjustment percentage from Table II.

The applicable percentages when parents have stepchildren are derived from the average percentages calculated by using Table III (see page 17). When there is one stepchild in the stepparent's household, multiply by .948 (see Table II). The factor of .948 is derived by dividing the average support percentage for one child (20.8%) by 4 and then subtracting that number (5.2) from 100. When there are 2 stepchildren, multiply by .921, when there are 3 stepchildren, multiply by .899, when there are 4 stepchildren, multiply by .886, when there are 5 stepchildren, multiply by .876.

- Step 4:** Apply the stepparent's adjusted income, as determined in Step 3, and their former spouse's income to the schedule with the correct number of children for whom this modification is being sought.

Table II
Percentages Applied to Net Income
when Parents have Stepchildren

Number of Children	Adjustment Percentage
1	94.8%
2	92.1%

3	89.9%
4	88.6%
5 or more	87.6%

O. Special Considerations in Determining Income of Self-Employed Persons, Business Owners, and Business Executives

There are special difficulties in determining the income of self-employed persons and business owners. This is due to at least four related causes. First, self-employed persons and business owners often have types of income and expenses not frequently encountered in determining the income of wage- and salary-earning employees. Second, the tax rules and tax forms associated with self-employment income are not only quite different from those associated with ordinary income from employment, but are designed with many additional purposes unrelated to child support determination and may therefore be difficult to translate into child support terms. Third, business balance sheets and other records also have purposes unrelated to child support determination, and are similarly difficult to translate into child support terms. Finally, there are potential difficulties because persons who have significant control over the form and manner of their own compensation may be able to arrange that compensation so as to be able to minimize the amount visible to friends of the court and others. To a somewhat lesser extent, all these considerations also apply to business executives who may have little or no ownership interest in the business.

The objective of determining income for purposes of this formula is to estimate as accurately as possible the amount of income actually available for support of children. Because tax rules and forms, and business balance sheets, as noted above, have quite different purposes, it is necessary to examine such documents carefully, with an emphasis on what is not available from those documents and what needs translation into child support terms.

These considerations apply to **all** forms of self-employment and business ownership, regardless of whether the business is organized as a corporation, a partnership, a sole proprietorship, or is a completely informal operation (of course, the form of organization will make a major difference in the sort of tax documents and business records available). As noted, many of them will also apply to business executives, again without regard to the form of legal organization of the business.

Special attention should be given to the following factors:

1. Unusual forms of income :

The employment income of self-employed persons, business owners, and business executives may come in many forms other than wages and salaries. These might include distributed profits of the business (including under a profit-sharing plan), officers' fees and other compensation, management or consulting fees, commissions, and bonuses.

2. In-kind income :

Income might be received in a form other than cash. Among the most common forms of such income are use of a company car, free admission to entertainment provided by the business to its clients, and purchases of stock or other goods and services. All such in-kind income should be priced at its market value (the price that a person not affiliated with the business would have had to pay); the amount (if any) that was paid by the party for the goods or services out of his or her pocket should be subtracted; and the remaining amount counted as income (note that part or all of the items added to income in this section may be allowable as deductions under Section 6 on Page 15).

3. Re-directed income :

In some cases, income to the owner or executive might be treated by the company as if it were something else. One example would be personal loans to the owner or executive which will not be paid back. These can later be "forgiven" by the company, or otherwise converted into income to the individual, once the time of child support determination is past. Although it should be presumed that such loans are in fact income, the presumption may be overcome if there is a history of such past loans being made and being repaid in a timely manner with market interest rates, and the current loan is at market interest rates and is fully paid up in accordance with a commercially reasonable time schedule. The amount by which a commercially reasonable repayment amount exceeds the amount actually repaid should be treated as income.

Another form of redirected income is payments by the business (in the form of wages, salaries, or payments for services) made to friends or relatives of the individual. If the individual cannot demonstrate that there is a history of such payments preceding the separation (or motion for redetermination of child support) by several months or that the payments are a fair market value payment for services actually performed, then the payments shall be treated as income to the individual.

4. Deferred income :

It is possible for business owners and executives to reduce their income for the period of child support determination by temporarily lowering their own salaries, fees, distributed profits, etc. Past practices should be examined with care to determine whether the most recent information on such incomes is in line with historical patterns. For example, if it has been normal for a business to distribute a certain percentage of profits to owners, but the most recent year's distribution was substantially below that percentage, income for child support determination should be based on the historical average. Recent reductions in salary, bonuses, management fees, etc., as a percentage of gross income of the business should be treated similarly.

5. Fringe benefits

Certain fringe benefits paid by the business should be counted as income to the individual for child support determination purposes, even though such payments are not considered income for tax purposes. These include contributions to pension or other retirement plans, except for the employer share of social security and medicare (FICA) taxes and contributions to qualified private retirement plans of up to 5.5% of the individual's gross income. Contributions in excess of these exceptions are to be counted as income.

6. Deductions :

For a wide variety of historical and policy reasons, there are a considerable number of deductions allowed for taxation of business and individuals that are irrelevant to, and therefore **not** allowed as deductions from income for purposes of, child support determination except for expenses which are consistent with the nature of the business. These include the following:

- a. Rent paid by the business to the individual (unless the rent is otherwise counted as income to the individual);
- b. Certain depreciation allowances. (Depreciation is an allowance for the presumed declining market value of assets used by the business. For tax purposes, depreciation allowances serve the function of spreading the deduction that would be associated with the expense of a purchase over several tax years; because the depreciation periods typically understate the useful life of many assets, depreciation allowances also provide some incentive to purchase new assets.) The **only** depreciation allowances that are permitted to be used as deductions from income for child support purposes are those that: 1) involve the property of the individual (not a corporation or partnership); **and** 2) involve tangible personal property (thus not financial assets or realty) other than automobiles or home offices; **and** 3) are based on straight-line (and not accelerated) tax depreciation. (Straight-line depreciation is when equal dollar amounts are claimed as depreciation allowances on a given asset in each of several tax years. Individuals who used accelerated depreciation on their tax returns can claim a deduction for the straight-line amount, provided the deduction meets the other criteria, if they can prove through an affidavit from an independent CPA what the straight-line amounts would have been).
- c. Home office expenses, including rent, hazard insurance, utilities, repairs, and maintenance;
- d. Business entertainment expenses on themselves (expenses on customers are allowable as deductions);
- e. Travel expenses, except where such expenses are inherent in the nature of the business or occupation (e.g., For a traveling salesperson), and in no case in excess of rates allowed by the state of Michigan for travel by its employees (such as automobile mileage rates, airplane coach rates, etc.);
- f. Automobile repair and maintenance expenses.

Note: Some items listed above appear in more than one section. This is because they may appear on both individual and employer tax returns, in somewhat different guises.

III. Calculating Child Support Amounts

This section describes the methods of calculating support. One is by using various percentages of total family income and calculating support based on a ratio of incomes. In cases where parties have no or low income, a poverty level or low income calculation method is used. Another method is to use the child support schedules.

A. Calculating Child Support Using Table III

Various percentages of net income are used to determine child support in this formula. The percentages are based on the number of children and the level of total net family income. The percentages are displayed in Table III shown below. The total net family income levels against which the percentages are applied are adjusted on an annual basis, using the Consumer Price Index for Metropolitan Detroit, with December, 1985 as the base.

**Table III
Total Child Support at Various Income Levels**

Table III		ONE CHILD				
Weekly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$216	25.5%	\$55.08	+	24.18%	over	\$216
\$347	25.0%	\$86.75	+	17.49%	over	\$347
\$473	23.0%	\$108.79	+	16.66%	over	\$473
\$607	21.6%	\$131.11	+	14.64%	over	\$607
\$788	20.0%	\$157.60	+	13.92%	over	\$788
\$1,119	18.2%	\$203.66	+	12.37%	over	\$1,119
\$1,379	17.1%	\$235.81	+	11.23%	over	\$1,379
\$1,733	15.9%	\$275.55	+	10.00%	over	\$1,733

¹ NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.

Table III (Continued)
Total Child Support at Various Income Levels

Weekly Family Net Income	Percentage Allocated ¹	Base Support +	Marginal Percentage	over	Income Level
\$216	39.4%	\$85.10 +	36.22%	over	\$216
\$347	38.2%	\$132.55 +	26.19%	over	\$347
\$473	35.0%	\$165.55 +	23.68%	over	\$473
\$607	32.5%	\$197.28 +	22.49%	over	\$607
\$788	30.2%	\$237.98 +	21.75%	over	\$788
\$1,119	27.7%	\$309.96 +	20.28%	over	\$1,119
\$1,379	26.3%	\$362.68 +	17.00%	over	\$1,379
\$1,733	24.4%	\$422.85 +	15.00%	over	\$1,733

THREE CHILDREN						
Weekly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$216	49.4%	\$106.70	+	47.28%	over	\$216
\$347	48.6%	\$168.64	+	35.09%	over	\$347
\$473	45.0%	\$212.85	+	30.51%	over	\$473
\$607	41.8%	\$253.73	+	28.73%	over	\$607
\$788	38.8%	\$305.74	+	27.98%	over	\$788
\$1,119	35.6%	\$398.36	+	23.40%	over	\$1,119
\$1,379	33.3%	\$459.21	+	19.59%	over	\$1,379
\$1,733	30.5%	\$528.56	+	19.00%	over	\$1,733

¹ NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.

**Table III (Continued)
Total Child Support at Various Income Levels**

Table III		FOUR CHILDREN				
Weekly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$216	55.6%	\$120.10	+	52.69%	over	\$216
\$347	54.5%	\$189.12	+	39.86%	over	\$347
\$473	50.6%	\$239.34	+	34.29%	over	\$473
\$607	47.0%	\$285.29	+	33.07%	over	\$607
\$788	43.8%	\$345.14	+	31.97%	over	\$788
\$1,119	40.3%	\$450.96	+	24.92%	over	\$1,119
\$1,379	37.4%	\$515.75	+	23.20%	over	\$1,379
\$1,733	34.5%	\$597.89	+	22.00%	over	\$1,733

Table III		FIVE OR MORE CHILDREN				
Weekly Family Net Income	Percentage Allocated ¹	Base Support	+	Marginal Percentage	over	Income Level
\$216	60.8%	\$131.33	+	57.36%	over	\$216
\$347	59.5%	\$206.47	+	42.60%	over	\$347
\$473	55.0%	\$260.15	+	37.78%	over	\$473
\$607	51.2%	\$310.78	+	37.27%	over	\$607
\$788	48.0%	\$378.24	+	35.83%	over	\$788
\$1,119	44.4%	\$496.84	+	24.77%	over	\$1,119
\$1,379	40.7%	\$561.25	+	24.06%	over	\$1,379
\$1,733	37.3%	\$646.41	+	23.00%	over	\$1,733

¹ *NOTE: Due to the Low/No Income adjustment, these figures may not be applied if a parent earns a minimal income. See Item C in this section.*

2001 MICHIGAN CHILD SUPPORT FORMULA MANUAL

The first step in determining each parent's child support obligation is to calculate total net family income per week. If either parent's income is near or below the poverty level, see Section III C on page 21. Second, apply the appropriate child support percentage from Table III from pages 17 to 19 the net income determination to calculate the actual child support amount. The third step is to apportion the support amount between both parents based on the ratio of their incomes. The final step in determining child support is to add a health care supplement to the calculated support amount (see page 29).

The Table III calculation formula is:

$$\{A + [B \times (C-D)]\} \times (E \div C) + F = G$$

[note: if $E > \$161$ and $C < I$ then support is calculated $(C \times J) (E \div C) + F = G$]

For the purposes of this formula:

A	=	Base Support for Family Income (Table III, column 3)
B	=	Marginal Percentage (Table III, column 4)
C	=	Actual Total Net Family Income (add net incomes of parties, rounded to nearest whole dollar)
D	=	Table Family Income Amount (Table III, column 5)
E	=	Non-custodial Parent Allowable Net Income (round to nearest whole dollar)
F	=	Health Care Supplement (Section IV D 2)
G	=	Non-Custodial Support-using Table III calc (round to nearest whole dollar)
\$161	=	Poverty Level Income (Section III C)
I	=	Table Family Income Amount lowest level
J	=	Base Percentage (Table III, column 2)

Example: Using Table III, calculate the total weekly support amount for the five children in this family.

Step 1: Calculate Family net weekly income.

Noncustodial parent earns \$400 net per week.
Custodial parent earns \$220 net per week.

Add the parent's net weekly incomes to determine the total net family income per week:
 $\$400 + \$220 = \$620$

Step 2: Calculate the total weekly support amount

$$\{\$310.78 + [37.27\% \times (\$620 - \$607)]\} \times (\$400 \div \$620) + \$10.50 = G \text{ Child Support}$$

$$\{\$310.78 + [.3727 \times (\$13)]\} \times (.6452) + \$10.50 = G \text{ Child Support}$$

$$\{\$310.78 + [\$4.85]\} \times (.6452) + \$10.50 = G \text{ Child Support}$$

$$\{315.63\} \times (.6452) + \$10.50 = G \text{ Child Support}$$

$\$203.64 + \$10.50 = \$214$ Child Support per week

B. Calculating Child Support Using Support Schedules

The schedules provided in Appendix C starting on page 49 make the child support calculations automatically. The schedules include the amount required for the health care supplement. To use the schedules, apply the following steps, illustrated by the hypothetical example used in Section III A, above:

Step 1: Determine each parent's net weekly income.

Step 2: Determine the noncustodial parent's weekly support obligation by using the support schedule for five children. Find the noncustodial parent's net weekly income of \$400 on the vertical column and the custodial parent's net weekly income of \$220 on the horizontal row. Follow the horizontal line to the right from the noncustodial income amount to the axis where it intersects with the vertical line from the custodial income amount. The \$214 amount shown at the intersection of the lines is the noncustodial parent's weekly support obligation. The health care supplement is included.

Note: Support amounts in the schedules may vary slightly from the actual longhand calculations due to rounding.

To comply with MCR 3.211(E)(1), and to avoid recalculating support each time a child is added to or deleted from an order, all support orders must include the amount for each child in multi-children families. For example, for this family of five children the order would state:

\$214 per week for 5 children,
\$196 per week for 4 children,
\$174 per week for 3 children,
\$135 per week for 2 children,
\$89 per week for 1 child.

C. Calculation of Child Support in Low/No Income Cases

For the purpose of this formula, low income is defined as \$696 or less per month which translates into a weekly net amount, in a single person household, of \$161 or less (2000 United States HHS Poverty Guideline). The formula described in Section III A, does not apply when parents earn low incomes. When either the noncustodial or custodial parent earns no or low income, the support amount will be determined according to the following procedure.

1. In cases where noncustodial parents earn \$161 or less per week, they will pay 10% of their incomes for child support plus the health care supplement found in Section IV D 2 on page 29, irrespective of the number of children. The percentage adjustment (10%) should be decreased by 1% for every additional \$100 that the custodial parent earns. (see Table IV, page 22)

Table IV
Poverty Level Income Percentage Adjustment Table

Custodial Net Income	% Adjust	Custodial Net Income	% Adjust
\$0 - 161	10	\$500 - 599	5
\$162 - 199	9	\$600 - 699	4
\$200 - 299	8	\$700 - 799	3
\$300 - 399	7	\$800 - 899	2
\$400 - 499	6	\$900 or more	1

The non-custodial parent poverty level income calculation formula is:

$$(E \times K \text{ (or \$5 whichever is more, see Section III C 3, below)}) + F = L$$

For the purposes of this formula:

- E = Non-custodial Parent Net Income of \$161 or less (round to nearest whole dollar)
- K = Percentage Adjustment (percentage income factor from Table IV, (Section III C 1))
- F = Health Care Supplement (Section IV D)
- L = Support Amount (Round to nearest whole dollar amount)

Example: Using the non-custodial parent poverty level income calculation, figure the total weekly support amount for three children in this family.

Step 1: Calculate Family net weekly income.

Noncustodial parent earns \$137 net per week.
Custodial parent earns \$320 net per week.

Step 2: Calculate the total weekly support amount

$$(\$137 \times 7\% \text{ (or \$5 whichever is more, see number 3, below)}) + \$7.50 = L$$

$$(\$9.59) + \$7.50 = \$17.00$$

2. In low income cases where non-custodial parents earn more than \$161 per week, **the support amount is the apportioned support amount (calculated using the formula in Section III A), or is the difference between the noncustodial parent's net weekly income and the poverty level (\$161) plus the support amount that they would pay at \$161 (using the non-custodial parent poverty level income**

calculation, above), whichever is less. This allows the non-custodial parent to retain approximately 90-100% of the poverty level amount.

The non-custodial parent low income calculation formula is:

$$[(\$161 \times K \text{ (or } \$5 \text{ whichever is more see number 3, below)}) + F] + (E - \$161) = M$$

if $M < G$ then $M = L$
if $M \geq G$ then $G = L$

For the purposes of this formula:

\$161	=	Poverty Level Income (Section III C)
K	=	Percentage Adjustment (percentage income factor from Table IV (Section III C 1))
F	=	Health Care Supplement (Section IV D)
E	=	Non-custodial Parent Net Income (round to nearest whole dollar)
M	=	Non-custodial Support-using Low Income Adjustment calculation
G	=	Non-Custodial Support-using Table III calculation
L	=	Support Amount (Round to nearest whole dollar amount)

Example: Using the non-custodial parent low income calculation, figure the total weekly support amount for four children in this family.

Step 1: Calculate net weekly income.

Noncustodial parent earns \$217 net per week.
Custodial parent earns \$300 net per week.

Step 2: Calculate the total weekly support amount

$$[(\$161 \times 7\% \text{ (or } \$5) + \$9] + (217 - 161) = M$$

$$[(\$11.27 \text{ (or } \$5)) + \$9] + (\$56) = M$$

$$[\$20.27] + (\$56) = \$76$$

Step 3: The support amount is the lesser of the results from the low income calculation formula and from the Table III calculation formula:

$$M = \$76$$

$$G = \$116 = \{ \$239.34 + [34.29\% \times (\$517 - \$473)] \} \times (\$217 \div \$517) + \$9$$

Therefore, the support amount in this example is \$76.

- Support should not be recommended in amounts of less than \$5 per week (plus the health care supplement), unless support is reserved by the court order.

4. When custodial parents earn \$161 or less per week, their incomes will not be used in calculating support. In this way parents retain enough to meet their basic necessities, while contributing as much as possible to the support of their children.

Note: This adjustment is built into the schedules in Appendix C, and need not be separately calculated when using those tables.

D. Calculation of Child Support in High Income Cases

In high income cases, where total family income exceeds the income categories listed on the schedules in Appendix C, the support amount should be calculated according to Table III.

For example, using Table III for one child, at a combined net income of \$1,998 per week, the support recommendation would be \$275.55 plus 10% of the amount over \$1,773. Total support would then be apportioned between both parents, and have the \$3.00 health care supplement added.

Example: Using Table III, calculate the total weekly support amount for the two children in this family.

Step 1: Calculate Family net weekly income.

Noncustodial parent earns \$1,350 net per week.

Custodial parent earns \$648 net per week.

Add the parent's net weekly incomes to determine the total net family income per week:
 $\$1,350 + \$648 = \$1,998$

Step 2: Calculate the total weekly support amount

$$\{\$422.85 + [15.00\% \times (\$1,998 - \$1,733)]\} \times (\$1,350 \div \$1,998) + \$6 = G \text{ Child Support}$$

$$\{\$422.85 + [15.00 \times (\$265)] \times (.6757) + \$6 = G \text{ Child Support}$$

$$\{\$422.85 + [\$39.75]\} \times (.6757) + \$6 = G \text{ Child Support}$$

$$\{\$462.60\} \times (.6757) + \$6 = G \text{ Child Support}$$

$$\$312.57 + \$6 = \$318 \text{ Child Support per week}$$

IV. Miscellaneous Provisions

A. Different Custody Arrangements For Different Children

It is not unusual for the court to order different custody arrangements for different children. The most obvious arrangement is for one parent to have sole custody of some children and the other parent to have sole custody of other children; this type of arrangement is usually called "split custody". However, it is also possible for some children to be in the sole custody of a parent and other children to be part of a shared custody arrangement, or for shared custody arrangements to vary from child to child. All this real-life complexity can make child support computations equally complex. The following method of computation is intended to apply in all such complex arrangements:

Step 1: Determine **each custody arrangement** involved in the present case (e.g., sole custody of one child with Parent A and sole custody of a second child with Parent B; shared custody of two children 60-40 with Parent A and B respectively and sole custody of a third child with Parent B; etc.).

Step 2: For **each custody arrangement** involved, compute what the child support would be for **the child(ren) in that custody arrangement** as if there were no other children.
(Note: In order to keep distinct the amounts that would be paid from one parent to the other, record the computed support payments from Parent B to Parent A as positive numbers and those from Parent A to Parent B as negative numbers.)

Step 3: **Add** the amounts obtained in Step 2. Remember to subtract the negative numbers from positive numbers. The sum of all amounts is the support amount. (Note: If it is negative, it is a payment from Parent A to Parent B; if it is positive, it is a payment from Parent B to Parent A.)

Example 1:

Step 1: There are two children, one each in sole custody of Parent A and Parent B. Parent B has net income of \$300 per week, and Parent A has net income of \$250 per week.

Step 2: A) Custody Arrangement #1: Parent A has sole custody of one child, the support amount would be \$69 per week. This is recorded as +\$69 since it is the amount to be paid from Parent B to Parent A.

B) Custody Arrangement #2: If Parent B had sole custody of one child, the support amount would be \$58 per week. This is recorded as -\$58 since it is the amount to be paid from Parent A to Parent B.

Step 3: Add +\$69 and -\$58 for a support amount of +\$11. (Note: the positive number indicates the payment is to be made by Parent B to Parent A.)

Example 2:

- Step 1: There are three children. Two are in the sole custody of Parent A, but the third is in a shared custody arrangement with 60% of the time spent with Parent B and 40% spent with Parent A. Parent B has net income of \$350 per week, and Parent A has net income of \$280 per week.
- Step 2: A) Custody Arrangement #1: two children are in the sole custody of Parent A, the support amount is \$118 per week. This is recorded as +\$118 since it is the amount to be paid from Parent B to Parent A.
- B) Custody Arrangement #2: one child is in a shared custody arrangement, the support amount (computed according to the procedure and formula in shared economic responsibility subsection below) would be \$20. It should be recorded as -\$20 per week as payment from Parent A to Parent B.
- Step 3: Add +\$118 and -\$20 for a for a total support payment of +\$98 from Parent B to Parent A.

B. Shared Economic Responsibility

When children share substantial amounts of time with each parent, whether or not there is a joint physical custody order, child support must be calculated by offsetting the parties' support obligations. Substantial shared time with children translates into economic sharing beginning when the parent with the lesser amount of time with the children has the children in his/her care for a minimum of 128 overnights annually. The formula should only be used if it can be determined from the specific terms of the custody/parenting time order that the children will be with that parent for at least the 128 overnight threshold. The economic sharing formula should only be applied to support orders entered concurrent with an initial custody/parenting time determination or to modifications of custody/parenting time based upon changed circumstances. It shall not be retroactively applied to existing orders. The economic sharing formula is:

$$\frac{(P_d^A)^2 (P_s^B) - (P_d^B)^2 (P_s^A)}{(P_d^A)^2 + (P_d^B)^2} = \text{Support}$$

For the purposes of this formula:

- P_d^A = The number of overnights the children spend with Parent A.
- P_d^B = The number of overnights the children spend with Parent B.
- P_s^A = Parent A's normal support obligation determined from the schedule. (This is accomplished by applying one parent's income along one axis and the other parent's income along the other axis on the appropriate schedule).
- P_s^B = Parent B's normal support obligation determined from the schedule.

Notes: Parenting time abatement should never be used in conjunction with the economic sharing formula, as the economic sharing adjustment inherently reflects substantial economic sharing.

If application of this section has an unjust or inappropriate result, a deviation should be considered.

Example:

Parent^A has the child 209 days. Parent^A earns \$200 net per week.

Parent^B has the child 156 days. Parent^B earns \$300 net per week.

Support would be determined by using the one child schedule at one income of \$300 and the other income of \$200.

The normal support amount which Parent^A would pay is \$48 per week.

The normal support amount which Parent^B would pay is \$71 per week.

$$\frac{(209)^2 (\$71) - (156)^2 (\$48)}{(209)^2 + (156)^2} = \text{Weekly Support}$$

$$\frac{\$3,101,351 - \$1,168,128}{43,681 + 24,336} = \text{Weekly Support}$$

$$\frac{\$1,933,223}{68,017} = \$28.42$$

Parent^B should pay \$28.00 each week for child support.

C. Parenting Time Abatement

Every child support order should address the issue of parenting time abatement. In the absence of such a provision, no abatement should occur except by consent of the parties. Parenting time abatement should not be used in conjunction with the shared economic responsibility formula since that formula contemplates substantial economic sharing, and since the formula has already accounted for time spent by the child(ren) in both households. Likewise, since the calculation of child care expenses contains an adjustment for child care costs incurred by each parent during the time the child(ren) are in their care, the parenting time abatement should not be applied to the child care portion of a support order.

A 50% retroactive abatement in a child's weekly support is to occur after a child spends six (6) consecutive overnight periods with the noncustodial parent. The parenting time abatement should be calculated for each day of the parenting time period.

Example:

The noncustodial parent picks up three children at 9:00 p.m. Thursday, June 14, and returns one child at 11:00 a.m. Sunday, June 24, and the other children at 3:00 p.m. Saturday, June 30. One child spent ten(10) consecutive overnights in the noncustodial parent's household, while the other two were there for seventeen (17) consecutive overnights. The noncustodial parent is entitled to ten (10) days parenting time abatement for one child and seventeen (17) days parenting time abatement for two children. If child support was \$105 per week, the ordered 50% abatement would be determined as follows:

Step 1	Determine the daily support amount per child					
	\$105.00	÷	7	days	=	\$15.00 Per day
	\$15.00	÷	3	children	=	\$5.00 Per child per day

2001 MICHIGAN CHILD SUPPORT FORMULA MANUAL

Step 2 Based on the number of overnights, daily support, and participating children,
figure the support for each period of parenting time

(\$5.00	x	1	child)	x	10	days	=	\$50.00
(\$5.00	x	2	children)	x	17	days	=	\$170.00

Step 3 Figure the 50% abatement

\$50.00	x	50%	=	\$25.00	For the 10 days with one child
\$170.00	x	50%	=	\$85.00	For the 17 days with two children
Total abatement for period				<u>\$110.00</u>	

D. Health Care Expenses

1. According to several Michigan statutes regarding domestic relations matters, "[t]he court shall require that one or both parents shall obtain or maintain any health care coverage that is available to them at a reasonable cost, as a benefit of employment. If a parent is self-employed and maintains health care coverage, the court shall require the parent to obtain or maintain dependent coverage for the benefit of the child, if available at a reasonable cost." MCL 552.452; MSA 25.222(2), MCL 722.3; MSA 25.244(3), MCL 722.717; MSA 25.497 and MCL 552.16; MSA 25.96.

"Health care" means the products or services provided or prescribed by a person or organization licensed or legally authorized to provide or prescribe human health care products or services, including, but not limited to, the following professionals: chiropractors, dentists, oral surgeons, orthodontists, prosthodontists, periodontists, endodontists, pedodontists, dental hygienists, dental assistants, medical doctors, physician's assistants, registered professional nurses, licensed practical nurses, nurse midwives, nurse anesthetists, nurse practitioners, trained attendants, optometrists, osteopaths, pharmacists, physical therapists, physiotherapists, physical therapy technicians, chiropodists, podiatrists, foot specialists, psychologists, psychological assistants, psychological examiners, clinical social workers and providers of prosthetic devices. It also includes the following health facilities or agencies (even when located in a correctional institution or a university, college, or other educational institution): ambulances, advanced mobile emergency care services, clinical laboratories, county medical care facilities, freestanding surgical outpatient facilities, health maintenance organizations, homes for the aged, hospitals, and nursing homes.

2. A defined amount for ordinary expenditures on health care, which need not be documented, is added into the total support amount in the schedules found in Appendix C. The amounts added are found in Table V.

**Table V:
Health Care Support Supplement**

Number of Children	Weekly Health Care Amount
1	\$3.00
2	\$6.00
3	\$7.50
4	\$9.00
5	\$10.50

Ordinary expenditures on health care include such items as nonprescription medications, vitamins, and bandages purchased by the household on a routine basis in anticipation of minor illnesses and injuries. It is presumed that the custodial parent will contribute similar amounts and no proof of these ordinary health care expenditures need be provided by the custodial parent.

3. All uninsured health care expenses, other than ordinary expenditures on health care, should be apportioned between parents based on the ratio of their incomes, provided that the proportion paid by either party shall not be less than 10% or more than 90%.

E. Child Care Expenses

When the custodian and/or non-custodial parent incurs work-related child care expenses, an additional child care adjustment is required. Work-related child care expenses include those net expenses which allow the parent to look for employment, retain paid employment, or to enroll in and attend an educational program which will improve employment opportunities.

1. When custodians have an established pattern of child care and can verify that they have actual, predictable and reasonable child care expenses on behalf of the children in the case under consideration, the total net expenses to each should be apportioned between the parents according to the ratio of their incomes.
2. In calculating child care expenses to be apportioned between the parents, the net cost to the parent or custodian must be used. The net cost of child care is figured by deducting any child care subsidies, credits (including federal tax credit), or reimbursements from any public or private source from the gross cost of child care.

The non-custodial parent's portion of the custodian's child care costs minus the custodian's portion of the non-custodial parent's child care shall be added to the amount of support in the appropriate Child Support Formula table.

3. When custodian's do not have an established pattern of child care expenses, they may request that the friend of the court place a contingent child care provision in the child support recommendation. The recommendation will provide a specific amount for child support and a projected amount for child care. The projected determination should be based on information regarding average child care costs in the community as provided by the local friend of the court or on three written quotations for child care as provided to the friend of the court by the custodial parent. The net cost of child care shall be computed in the same manner as when there is an established pattern of child care. This contingent provision will become effective upon the following:

Step 1: Proof provided by the custodian of employment or enrollment in an educational or training program which will improve employment opportunities.

Step 2: Proof provided by the custodian of actual out-of-pocket child care expenses.

Step 3: The friend of the court notifying the non-custodial parent of the activation of the contingent recommendation and providing that parent with a copy of the verifying documents.

Note: The implementation of the contingent provision may constitute a change of circumstances which would warrant a review and recommendation by the friend of the court.

4. Child care shall be recommended up to the start of the school year immediately following the 12th birthday of the child but only to the extent thereafter that the health and safety needs of the child require continued child care.
5. In calculating annual child care costs, it shall be assumed that the court's specific parenting time and custody orders are followed. If a child care provider requires payment to retain an available slot for a child without regard to whether the child attends during parenting times, vacations, illness or other temporary absences, the required payment shall be used in computing child care costs.
6. Prior to making a recommendation, documentation of a parent's child care costs shall be provided by the custodian to the friend of the court on the State Court Administrative Office Approved Child Care Verification Form, or its equivalent.

Example:

The parents have two minor children. The custodian has a gross weekly income of \$245 with gross child care costs of \$75 per week. The custodian's net weekly income per the Child Support Formula is \$203. The non-custodial parent has a gross weekly income of \$500 with gross child care costs of

2001 MICHIGAN CHILD SUPPORT FORMULA MANUAL

\$85 for four of the six weeks extended summer parenting time specified in the court order. The non-custodial parent's net weekly income per the Child Support Formula is \$350. Neither parent contractually guarantees his or her child care provider payment of specific child care costs.

Step	Custodian	Non-custodial Parent
Step I: Calculate each parent's gross annual child care costs.	52 weeks minus 6 weeks parenting time equals 46 weeks multiplied by \$75 per week equals \$3,450 annually.	4 weeks multiplied by \$85 per week equals \$340 annually.
Step II: Subtract the appropriate subsidy, credit, or reimbursement deductions.	\$3,450 annual costs minus \$966 credit equals \$2,484.	\$340 annual costs minus \$0 credit equals \$340.
Step III: Divide annual net child care costs by 52 to obtain average weekly child care costs.	\$2,484 divided by 52 weeks equals \$48 per week.	\$340 divided by 52 weeks equals \$7 per week.
Step IV: Prorate each parent's share of the other parent's average net weekly child care cost based on the net income of the parents per the Child Support Formula.	Non-custodial parent's prorated share of the parties' net income is 63% (Total net income of parties divided by the non-custodial parent's net income) \$48 multiplied by 63% equals \$31 per week.	Custodian's prorated share of the parties' net income is 37% (Total net income of parties divided by the custodian's net income) \$7 multiplied by 37% equals \$3 per week.
Step V: Subtract the higher child care prorated share from the lower child care prorated share.	\$31 non-custodial share of custodian's child care minus \$3 custodial parent share of non-custodial's child care equals net child care of \$28.	
Step VI: Add the net child care amount to the Formula tables if non-custodial prorated share is higher. Subtract the net child care amount from the Formula tables if the custodian's share is higher.	Add the \$28 in child care to the child support amount from the schedules to determine the total support recommendation.	

F. Third Party Custodians

When a child is in the physical custody of a third party, both of the natural parents should be required to pay support. The level of support should be determined and apportioned according to the incomes of both parents.

Example 1:

Use this method when the parents of the child(ren) live in the same household:

Step 1: Both noncustodial parents live in the same household. The first parent earns \$300 net per week. The second parent earns \$200 net per week. There are two children living with the third party custodian.

Step 2: Total family income is \$500 net per week. Apply \$500 to the noncustodial axis and \$0 to the custodial axis on the two children schedule. The total family support amount is \$178.

Step 3: Calculate each parent's individual support obligations by apportioning the total family support between the incomes of both parents.

First Parent: $\$178 \times (\$300 \div \$500) = \107

Second Parent: $\$178 \times (\$200 \div \$500) = \71

Example 2:

Use this method when the parents of the child(ren) live in separate households.

Step 1: Both noncustodial parents live in separate households. The first parent earns \$500 net per week. The second parent earns \$300 net per week. There are three children living with the third party custodian.

Step 2: Apply the \$500 to the noncustodial axis and \$0 to the custodial axis on the three children schedule. The first parent should pay \$229.

Apply \$300 to the noncustodial axis and \$0 to the custodial axis on the three children schedule. The second parent should pay \$154.

G. Arrearage Guidelines

The Arrearage Guideline is for use by friends of the court, referees, and judges in making arrearage payment determinations to ensure statewide consistency by trial courts and friend of the court offices. Federal law requires states to have procedures to increase the amount of payments to include amounts for arrearages (42 U.S.C. 666(c)(1)(H)). State statute requires that the formula contain guidelines for setting and administratively adjusting the amount of periodic payments for overdue support (MCL 552.519(3)(a)(vi)).

1. Application

Support arrearages should be repaid as quickly as possible. If all, or a substantial portion of the arrearage cannot be paid immediately the Arrearage Guideline should be used when setting arrearage payment amounts where support or fees are owed. This guideline is not intended to interfere with the enforcement of past-due support and its collection through concurrent means and as quickly as is allowed by law, and does not apply to payments set for writs of garnishment and other lump sum collections. Each case is decided on its own merits. The Arrearage Guideline is not intended to interfere with judicial discretion in setting fair and equitable payment amounts, and thus may establish payment amounts that deviate from the Guideline.

In order to repay arrearages as quickly as possible, the total-payment-amount used for determining the arrearage payment amount for collection must be the higher of: the most recent total-payment-amount, or the total-payment-amount presently figured using the arrearage payment calculation and current support charge. If the support charge has been reduced since the most recent total-payment-amount was set for reasons other than a reduction in payer's income, the amount of that reduction is added to that total-payment-amount's arrearage payment amount and it automatically becomes the new arrearage payment amount. If the most recent total-payment-amount is the payment amount chosen, the aggregate amount remains the same, but consists of a reduced support and an increased arrearage payment amount, the total-payment-amount collected remains in effect until the arrearage has been paid in full or until modified or adjusted by the court or friend of the court.

Statute requires the friend of the court office to use the Arrearage Guideline in setting arrearage payment amounts. Further, when making administrative adjustments to arrearage payment amounts, the office shall follow procedures "to afford the payer due process including at least notice, an opportunity for an administrative hearing, and an opportunity for an appeal on the record to an independent administrative or judicial tribunal."(MCL 552.517e)

When applying the guideline, any monies held or retained by the friend of the court office or state disbursement unit as payment of past due child support, when applying the Guideline, should be subtracted from the amount of arrearage used to calculate the repayment amount.

The friend of the court office may utilize its discretion and deviate from the Guideline to increase the arrearage repayment amount if there has been no other significant change in circumstances (e.g. different source of income, higher income, etc.), and 1) if the payer has made all of the payments for the entire period since the repayment amount was set, and 2) arrearages have increased by an amount greater than one month's support solely because of accumulation of child support surcharge.

2. Arrearage Payment Calculation

When applying the guideline, the weekly arrearage payment is one percent (1%) of the total support arrearage at the time of the review, but not less than \$20.00 nor more than the weekly current support amount

(if no current support charge use the last ordered charge amount). Payments set by this Guideline should be rounded to the nearest whole dollar amount.

Note: 1.0% per week will eliminate most arrearages and surcharge in approximately two years. (0.1549% approximates the minimum weekly amount needed to stay current with surcharge)

When figuring a confinement expense repayment amount, the weekly total-payment-amount should be based on the total amount owed at the time of the review. To calculate the total arrearage payment, add confinement expenses to other support arrearages and apply the calculation in the preceding paragraph (i.e. 1%, \$20.00, or current order amount). A portion of the weekly total-payment-amount must be designated by the court as a confinement expense repayment amount. The weekly confinement expense repayment amount should not be less than \$5.00, nor more than the confinement expenses pro-rata share of the total amount owed. Laws, regulations, and other policy determine how these amounts will be distributed on a specific case.

3. Adjustment of Payment Amounts When Current Support Obligations Terminate

If arrearages exist when a current support obligation terminates or is reduced for reasons other than a reduction in the payer's income, there shall be no automatic reduction in the weekly total-payment-amount unless ordered by the court. The amount of the reduction in the current support amount is added to the current arrearage payment amount and automatically becomes the new arrearage payment amount. The total-payment-amount collected remains in effect until the arrearage has been paid in full or until modified or adjusted by the court or friend of the court.

Example:

If a payer is required to pay \$50.00 per week, \$30.00 as current support plus \$20.00 toward arrears, and the current support order expires, the payer would continue to pay \$50.00 per week, all to be applied on the arrearage.

4. Guideline Deviation

When application of this Guideline creates an unjust or inappropriate result, deviation may occur and alternate arrearage payment amount established.

5. Exceptions to Applying Guideline

This Guideline should not be applied when its application creates an unjust or inappropriate result.

The friend of the court should not routinely apply the Guideline to administratively change repayment amounts in cases where:

- the court has set a specific periodic arrearage payment amount in a support, enforcement, or arrearage repayment order, and since entry of that order the arrearages have not

increased by an amount equivalent to one month's support based on the current support amount (if no current support charge use the last ordered charge amount);

- the total amount of arrearage has been reduced, but has not been paid in full since the repayment amount was set (applying the guideline when arrears have decreased since the repayment amount was set, subsequent adjustments extend the repayment period);
- the court previously ordered, or the friend of the court implemented a repayment amount that deviates from the Guideline based either upon an unjust or inappropriate result or a formal agreement between the parties, and circumstances have not significantly changed since entry of that order or implementation of the repayment amount; or
- In interstate cases where Michigan and another state's tribunal have entered an order regarding the same payer and child, and the support order and arrears accumulated under the Michigan order are being enforced by another jurisdiction.

6. Administrative Adjustment Records

Information should be maintained to record: administrative adjustments by offices, arrearage repayment amounts deviating from the Guideline, and the reasons for deviation.

7. Definitions

For the purposes of this Guideline, the underlined words mean:

Administrative Adjustment means a change in an amount not ordered by the court.

Arrearage Payment Amount means periodic amounts in addition to current support which are specifically designated to reduce the arrearage owed, but are not arrearage payments set for writs of garnishment and lump sum orders.

Confinement Expense means an amount of money ordered by the circuit court under the paternity act for the necessary expenses incurred by or for the mother in connection with her confinement or of other expenses incurred in connection with the pregnancy of the mother.

One Month's Support means an amount of support equivalent to the sum of the periodic charges that would occur in one month under the current support order, or absent a current support charge the amount using the last ordered periodic amount.

Total-payment-amount means the sum of regular periodic current and past-due support, fee, and other amounts set by court order (support, enforcement, repayment, etc.) or by administrative adjustment by the friend of the court office to collect support by income withholding or other means.

H. Stipulated Agreements

When parents combine property settlement with child support provisions, the provisions must be clearly stated in the Judgment of Divorce to be given continued effect.

I. Ex Parte and Temporary Orders

According to Michigan Court Rule 3.207(B) and (C), the following rules apply to ex parte and temporary support orders:

"(B) Ex Parte Orders.

- (1) Pending the entry of a temporary order, the court may enter an ex parte order if the court is satisfied by specific facts set forth in an affidavit or verified pleading that irreparable injury, loss, or damage will result from the delay required to effect notice, or that notice itself will precipitate adverse action before an order can be issued.
- (2) The moving party must arrange for the service of true copies of the ex parte order on the friend of the court and the other party.
- (3) An ex parte order is effective upon entry and enforceable upon service.
- (4) An ex parte order remains in effect until modified or superseded by a temporary or final order.
- (5) An ex parte order providing for child support, custody, or visitation pursuant to MCL 722.27a; MSA 25.312(7a), must include the following notice:

"NOTICE:

1. You may file a written objection to this order or a motion to modify or rescind this order. You must file the written objection or motion with the clerk of the court within 14 days after you were served with this order. You must serve a true copy of the objection or motion on the friend of the court and the party who obtained the order.

2. If you file a written objection, the friend of the court must try to resolve the dispute. If the friend of the court cannot resolve the dispute and if you wish to bring the matter before the court without the assistance of counsel, the friend of the court must provide you with form pleadings and written instructions and must schedule a hearing with the court.

3. The ex parte order will automatically become a temporary order if you do not file a written objection or motion to modify or rescind the ex parte order and a request for a

hearing. Even if an objection is filed, the ex parte order will remain in effect and must be obeyed unless changed by a later court order."

- (6) In all other cases, the ex parte order must state that it will automatically become a temporary order if the other party does not file a written objection or motion to modify or rescind the ex parte order and a request for a hearing. The written objection or motion and the request for a hearing must be filed with the clerk of the court, and a true copy provided to the friend of the court and the other party, within 14 days after the order is served.
 - (a) If there is a timely objection or motion and a request for a hearing, the hearing must be held within 21 days after the objection or motion and request are filed.
 - (b) A change that occurs after the hearing may be made retroactive to the date the ex parte order was entered.
- (7) The provisions of MCR 3.310 apply to temporary restraining orders in domestic relations cases.

(C) Temporary Orders.

- (1) A request for a temporary order may be made at any time during the pendency of the case by filing a verified motion that sets forth facts sufficient to support the relief requested.
- (2) A temporary order may not be issued without a hearing, unless the parties agree otherwise or fail to file a written objection or motion as provided in subrules (B)(5) and (6).
- (3) A temporary order may be modified at any time during the pendency of the case, following a hearing and upon a showing of good cause.
- (4) A temporary order must state its effective date and whether its provisions may be modified retroactively by a subsequent order.
- (5) A temporary order remains in effect until modified or until the entry of the final judgment or order.
- (6) A temporary order not yet satisfied is vacated by the entry of the final judgment or order, unless specifically continued or preserved. This does not apply to support arrearages that have been assigned to the state, which are preserved unless specifically waived or reduced by the final judgment or order."

In cases in which the court orders a support amount pending the final judgment, the following procedure is recommended:

If a party is ordered to pay taxes, mortgage, home insurance, telephone or utilities in an ex parte or temporary order, the child support amount should be adjusted in consideration of these payments. The expenses for which either party is ordered responsible should be subtracted dollar for dollar from that parent's net weekly income for the purposes of determining that parent's child support obligation.

Example:

It is determined the noncustodial parent's net income per week is \$350. This parent has been ordered to pay weekly shelter expenses for the family which amount to \$105 per week.

\$350	Net weekly income
<u>-\$105</u>	Weekly shelter expense
\$245	Adjusted weekly income

The child support amount should be based on the custodial parent's weekly net income and the noncustodial parent's weekly adjusted income of \$245.

J. Child Support Recommendations in Contested Custody Cases

In cases where custody is contested, a child support recommendation should be made for each proposed custodial arrangement. Each recommendation shall be provided to the court and to the parties.

NOTE:

When determining a child support recommendation from the schedules in this Formula, careful consideration should be given not only to the schedules themselves but to all recommendations provided. Use of select portions of the Formula may result in an improper support recommendation.

Appendix A: Statutory Requirements for Support Investigations

MCL 552.517 Child support order, review after final judgment; notices; conduct of review; modification order; certain determinations requiring report; contents of report; petition for modification; scheduling of hearing; objection to determination of no change in order; petition to require dependent health care coverage; costs.

Sec. 17.

- (1) After a final judgment containing a child support order has been entered in a domestic relations matter, the office shall periodically review the order, as follows:
 - (a) If a child is being supported in whole or in part by public assistance, not less than once each 24 months unless both of the following apply:
 - (i) The office receives notice from the family independence agency that good cause exists not to proceed with support action.
 - (ii) Neither party has requested a review.
 - (b) At the initiative of the office, if there are reasonable grounds to believe that the amount of child support awarded in the judgment should be modified or that dependent health care coverage is available and the support order should be modified to include an order for health care coverage. Reasonable grounds to review an order pursuant to this subdivision include temporary or permanent changes in the physical custody of a child that the court has not ordered, increased or decreased need of the child, probable access by an employed parent to dependent health care coverage, or changed financial conditions of a recipient or a payer of child support including, but not limited to, application for or receipt of public assistance, unemployment compensation, or worker's compensation.
 - (c) Upon receipt of a written request from either party. Within 15 days after receipt of the review request, the office shall determine whether the order is due for review. The office is not required to investigate more than 1 request received from a party each 24 months.
 - (d) If a child is receiving medical assistance, not less than once each 24 months unless either of the following applies:
 - (i) The order requires provision of health care coverage for the child and neither party has requested a review.
 - (ii) The office receives notice from the family independence agency that good cause exists not to proceed with support action and neither party has requested a review.
 - (e) If requested by the initiating state for a recipient of services in that state under Part D of title IV of the social security act, 42 U.S.C. 651 to 669, not less than once each 24 months. Within 15 days after receipt of a review request, the office shall determine whether an order is due for review.

- (2) Within 180 days after determining that a review is required under subsection (1), the office shall send notices as provided in section 17b(2) and (3), conduct a review, and obtain a modification of the order if appropriate.
- (3) The office shall use the child support formula developed by the bureau under section 19 in calculating the child support award. If the office determines from the facts of the case that application of the child support formula would be unjust or inappropriate, or that income should not be based on actual income earned by the parties, the office shall prepare a written report that includes all of the following:
 - (a) The support amount, based on actual income earned by the parties, determined by application of the child support formula and all factual assumptions upon which that support amount is based.
 - (b) An alternative support recommendation and all factual assumptions upon which the alternative support recommendation is based.
 - (c) How the alternative support recommendation deviates from the child support formula.
 - (d) The reasons for the alternative support recommendation.
 - (e) All evidence known to the friend of the court that the individual is or is not able to earn the income imputed to him or her.
- (4) The office shall petition the court if modification is determined to be necessary under subsection (3) unless either of the following applies:
 - (a) The difference between the existing and projected child support award is within the minimum threshold for modification of a child support amount as established by the formula.
 - (b) The court previously determined that application of the formula was unjust or inappropriate and the office determines under subsection (3) that the facts of the case and the reasons and amount of the prior deviation remain unchanged.
- (5) A petition for modification may be made at the same time the parties are provided with notice under section 17b(3). A hearing held on a proposed modification shall be scheduled no earlier than 30 days after the date of the notice provided for in section 17b(3).
- (6) If the office determines there should be no change in the order and a party objects to the determination in writing to the office within 30 days after the date of the notice provided for in section 17b(3), the office shall schedule a hearing before the court.

- (7) If a support order lacks provisions for health care coverage, the office shall petition the court for a modification to require that 1 or both parents obtain or maintain health care coverage for the benefit of each child who is subject to the support order if either of the following is true:
 - (a) Either parent has health care coverage available, as a benefit of employment, for the benefit of the child at a reasonable cost.
 - (b) Either parent is self-employed, maintains health care coverage for himself or herself, and can obtain health care coverage for the benefit of the child at a reasonable cost.
- (8) The office shall determine the costs to each parent for dependent health care coverage and child care costs and shall disclose those costs in the report under section 17b(4).

MCL 552.517a Provision of form motions, responses and orders to payers and payees.

- Sec. 17a. The office shall make available to an individual form motions, responses, and orders for in requesting the court to modify the individual's child support order, or in responding to a motion for support modification without the assistance of legal counsel. The office shall make available instructions on preparing and filing the forms, instructions on service of process, and instructions on scheduling a modification hearing.

MCL 552.517b Review of order; notice of right to request; notice of review; notice of increase or decrease in amount of child support, modification to order health care, or determination of no change in order; availability of documents.

Sec. 17b.

- (1) Each party subject to a child support order shall be notified of the right to request a review of the order as provided in section 17, and the place and manner in which to make the request. For a domestic relations matter initiated on or after 90 days after the effective date of this section, the notice shall be provided by the office or, pursuant to court rule, by the plaintiff, using the informational pamphlet required under section 5. Unless notice is provided to the party in the informational pamphlet, no later than 180 days after the effective date of this section, the office in each judicial circuit shall send a notice to each party subject to a child support order informing the party of the right to request a review of the order. The notice shall be sent to the party's last known address.
- (2) The office shall notify each party of a review of a child support order under section 17 at least 30 days before the review is conducted. The notice shall request income, expense, or other information as needed from the party to conduct the review and shall specify the date by which that information is due. The notice shall be sent to each party to his or her last known address.

- (3) After a review of a child support order has been conducted, the office shall notify each party of a proposed increase or decrease in the amount of child support, a proposed modification to order health care coverage, or a determination that there should be no change in the order. Notice of an increase or decrease in child support or a modification to order health care coverage can be provided by or with a copy of the petition for modification. The notice shall also inform the parties of both of the following:
 - (a) That the party may object to the proposed modification or determination that there should be no change in the order at a hearing before a referee or the court.
 - (b) The time, place, and manner in which to raise objections.
- (4) The office shall make available to each party and his or her attorney a copy of the written report, transcript, recommendation, and supporting documents or a summary of supporting documents prepared or used by the office under section 17 before the court modifies a support order.

MCL 552.517c Review of support order in another state; procedures.

Sec. 17c.

- (1) If Michigan is the initiating state in an interstate domestic relations matter involving child support, the office shall determine whether a review of a support order in another state is appropriate in accordance with section 17 and is appropriate based upon the residence and jurisdiction of the parties.
- (2) If the office determines that a review of a support order in another state is appropriate, the office shall obtain income, expense, and other information needed to conduct the review from the requesting party or recipient of public assistance or medical assistance.
- (3) The office shall initiate a request for a review within 20 calendar days after receipt of the information requested under subsection (2).
- (4) The office shall forward to a party who resides in Michigan a copy of each notice issued by the responding state in conjunction with the review and modification of a support order, which notice is sent to the office for distribution.

Appendix B: Reasonable Cost of Maintaining Health Insurance Coverage

Appendix B: Reasonable Cost of Maintaining Health Insurance Coverage

Michigan Statutes [MCL 552.15; MSA 25.95; MCL 552.517(7)(a); MSA 25.176(17)(a)] require the friend of the court, when a support order lacks provisions for health care coverage, to petition, and the court to order in any event, one or both parties to obtain and maintain health care coverage for the benefit of each child who is subject to the support order if:

- (a) Either parent has health care coverage available, as a benefit of employment, for the benefit of the child at a reasonable cost, or
- (b) Either parent is self-employed, maintains health care coverage for himself or herself, and can obtain health care coverage for the benefit of the child at a reasonable cost.

Federal Regulations [45 CFR 306.51] specify that cost of maintaining health insurance is considered reasonable if it is employment-related or other group health insurance.

The following table and text addressing the reasonable cost of maintaining health insurance coverage is provided to assist friends of the court, referees and judges in making determinations of the reasonable cost of maintaining health insurance coverage.

1. The following table should be used for 2001:

Reasonable Cost of Health Insurance Coverage	
Net Weekly Earnings of Parent	Maximum (Weekly) Reasonable Cost of Maintaining Health Insurance Coverage
\$161.99 or less	\$0.00
163 to \$389.99	\$0.00 + 6% over 163
\$390.00 to \$612.99	\$14.00 + 10% over \$390.00
\$613.00 to \$834.99	\$36.00 + 14% over \$613.00
\$835.00 to \$1,057.99	\$67.00 + 18% over \$835.00
\$1,058.00 to \$1,280.99	\$107.00 + 22% over \$1,058.00
\$1,281.00 and above	\$156.00

2. For the sole purpose of determining the reasonable cost of maintaining health care coverage, the cost of providing child support, child care, and health care insurance, not including arrearages, should not exceed 50% of the parent's net income as defined in the Michigan Child Support Formula Manual.

3. The cost of providing health care insurance coverage pertains only to the cost of providing it for the children, which may or may not include the costs associated with insuring the parent providing the coverage.
4. The Reasonable Cost of Health Insurance Coverage Table will be annually updated with the Michigan Child Support Formula Manual.
 - a. The table will be annually adjusted for changes in the United States HHS Poverty Guideline. The figure used will be the amount released in the preceding year.
 - b. The earnings levels in the table will be adjusted annually for inflation using the consumer price index (CPI-U Detroit, August). The original amounts in Table I serve as a baseline figure established, based upon the CPI-U for Detroit as of August 1996.